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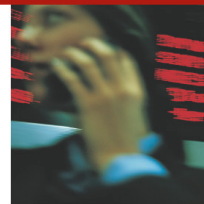
**INVESTMENT MANAGEMENT
UPDATE****SEC Reviews Use of Derivatives by Investment Companies**

The Securities and Exchange Commission (SEC) announced today that its staff is reviewing the use of derivatives by mutual funds, exchange-traded funds (ETFs) and other investment companies. The review will examine whether and what additional protections are necessary for those funds under the Investment Company Act of 1940 (“1940 Act”). In announcing the review, the SEC stated that the staff intends to explore, among other things, whether:

- Current market practices involving derivatives are consistent with the leverage, concentration and diversification provisions of the 1940 Act;
- Funds that rely substantially upon derivatives, particularly those that seek to provide leveraged returns, maintain and implement adequate risk management and other procedures in light of the nature and volume of the fund’s derivatives transactions;
- Fund boards of directors are providing appropriate oversight of the use of derivatives by funds;
- Existing rules sufficiently address matters such as the proper procedure for a fund’s pricing and liquidity determinations regarding its derivatives holdings;
- Existing prospectus disclosures adequately address the particular risks created by derivatives; and
- Funds’ derivative activities should be subject to special reporting requirements.

The staff will defer consideration of requests for exemptions under the 1940 Act to permit ETFs to make significant investments in derivatives pending completion of the review. The deferral will affect new and pending exemptive requests from certain actively managed and leveraged ETFs that rely on swaps and other derivative instruments to achieve their investment objectives. The deferral does not affect any existing ETFs or other types of fund applications.

The staff also will explore whether changes in SEC rules or guidance relating to the use of derivatives are warranted. We will follow developments and provide updates on the results of the review and any proposed rules or guidance.



FOR MORE INFORMATION

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